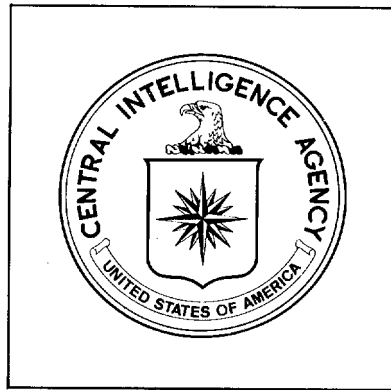


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143

December 4, 1975
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CONTENTS

December 4, 1975



25X1D

Bulgaria - West Germany: "Hearts and Flowers"	
Diplomacy.	3
Polish Zloty Declines in Value on Black	
Market	5
No Surprises at Polish Party Congress.	6

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Next 1 Page(s) In Document Exempt

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Bulgaria - West Germany: "Hearts and
Flowers" Diplomacy

7 124 Bulgarian party/state leader Todor Zhivkov's visit to Bonn last week (November 24-28) went even better than planned, according to the West German ambassador in Sofia. An unexpectedly "cordial" atmosphere provided a backdrop for the visit. The talks themselves were, predictably, economic-oriented, with little noteworthy political content.

1 The Bulgarian leader met with a host of political personalities, including President Scheel, Chancellor Schmidt, Social Democratic Party leader Brandt, Christian Democratic Union chief Kohl, and Communist Party head Mies. In Zhivkov's conversations with President Scheel, the "spirit of Helsinki" reigned supreme. The two men covered a wide range of international topics--Cyprus, the Middle East, and post-CSCE Europe--and declared they share "identical interests" on many issues. They also signed a bland "joint declaration" of principles and a statement of "perspectives" for economic cooperation. The foreign ministers signed a framework cultural accord. [REDACTED]

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124 The main theme of the visit was trade. Bonn is by far Sofia's largest Western trade partner--capturing some 22 percent of Bulgarian trade with the non-communist world in 1974. Sofia is burdened with a sizable deficit--somewhat less than \$400 million in 1974--and Zhivkov reportedly raised the sensitive issue of redressing this imbalance. He also twice asked for German credits on concessionary terms. Bonn turned down a similar request before the trip began. Taking time out from his official talks, Zhivkov visited the factories of Daimler-Benz,

December 4, 1975

Krupp, and Hoechst, where he signed various contracts. He treated all his audiences to the same pep talk, proclaiming that Bulgaria is an "equal and sought-after partner" with an important role to play in bilateral trade.

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The Bulgarian leader seemed particularly pleased with the special attention his German hosts lavished upon him. Zhivkov undoubtedly felt all the hoopla helped boost his much-sought-after image of an international statesman. [REDACTED]

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The Bulgarian, moreover, struck up a lively repartee with his hosts, and reportedly "charmed the German leadership" with his peasant humor.

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It is curious that Zhivkov was treated to such a warm reception, especially since Bonn had expected few concrete results from the visit. The West German ambassador, when asked about the unusual display, recalled German "sentimentality" and the traditional ties of friendship between the two peoples. The diplomat also conjectured that Bonn may be trying to play "catch-up" diplomacy with those East European states that were among the last to establish diplomatic relations with it. (CONFIDENTIAL)

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December 4, 1975

Polish Zloty Declines in
Value on Black Market

Polish citizens are apparently becoming increasingly concerned that the regime will soon devalue the zloty. As a result, black market rates for foreign currency have skyrocketed. A dollar, for example, is now worth from 120 to 150 zloty compared to its previous value of 85-95.

Rumors of devaluation circulated so widely this fall that Prime Minister Jaroszewicz was forced to deny them publicly. The skeptical public, however, is obviously hedging its bets. (CONFIDENTIAL)

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December 4, 1975

No Surprises at Polish Party Congress

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The seventh congress of the Polish Communist Party that opens on Monday will enthusiastically endorse party leader Edward Gierek's economic policies and approve his programs for the next five years. Just below the surface, however, there is considerable concern within the leadership that the volatile and demanding population is still not satisfied and is prepared to express its unhappiness in word and deed.

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Since 1971 party chief Gierek has moved the Polish economy into high gear. The goals of the current five year plan--already raised twice--will for the most part be significantly exceeded. Much of this advance is due to Gierek's successful campaign to use Western credits and technology to modernize the economy.

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The Polish consumer has fared well. Average real wages have increased 40 percent since 1971, and both the quantity and quality of consumer goods have improved dramatically. The average citizen, however, has tasted the good life and is prone to forget how much has changed since 1971. He has become increasingly concerned about inflation and the failure of supply to meet the rising demand for many consumer items, particularly meat. Consequently, the regime this year has had to contend with mounting public tension. The party has made special efforts to see that stores are well stocked in the pre-Congress and Christmas season, and the US embassy reports that tensions have decreased since their mid-October high.

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The Polish people believe, and with good reason, that the rapid progress they have experienced will be slowed down by various austerity measures, including widespread price increases. Gierek's chief domestic policy aide, however, recently told a US embassy officer that early next year Warsaw would decide "at leisure" when and on what items prices would be increased.

December 4, 1975

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For the longer term, the Gierek regime will find it increasingly difficult to continue the recent pace of economic growth. Warsaw will have to search harder and pay more for essential Western credits and technology. Soviet raw material deliveries will fall further behind in meeting Polish needs and will be more costly. Wage increases will have to be more closely tied to increases in productivity, and consumer prices are sure to go up. Gierek's political tenure may well depend on how he manages the difficult problems without alienating the Polish population.

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No wholesale changes within the leadership or in its policies will be made at the congress. Indeed, Gierek's aide told a US embassy official there would be "no surprises." Despite the numerous rumors of policy disputes within the leadership, there is no serious challenger to Gierek. He still probably has considerable popular support and appears to have the party bureaucracy firmly in hand as a result of his reorganization of the administrative bureaucracy earlier this year.

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Some personnel changes are expected at the congress. The former number-two man in the party, Franciszek Szlachcic, who was demoted last year for excessive nationalism and personal ambition, will leave the Politburo. The ailing Mieczyslaw Jagielski has partially recovered from a heart attack and will reportedly remain. The new planning commission head and Gierek associate, Tadeusz Wrzaszczyk, is a likely candidate to move onto the Politburo.

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The congress itself will last five days. Gierek will kick it off with a nationally televised speech that will highlight past accomplishments while making clear that there are limits to what can be done. On foreign policy he will recite Poland's full allegiance to the Soviet Union. Prime Minister Jaroszewicz will outline the 1976-80 five year plan.

December 4, 1975

237 Soviet party first secretary Brezhnev will witness the Polish pep rally. The leaders of Poland's East European allies--with the exception of Romania's Ceausescu--will also be on hand.

7 In private discussions, the Polish leadership will undoubtedly try to sound out their Soviet guests on any impending personnel changes in Moscow. The Poles are reportedly concerned that changes at the Soviet party congress in February could involve Brezhnev, whom they consider to be sympathetic to their problems. Gierek, for his part, will undoubtedly try to allay Moscow's concerns about the westward drift of the Polish economy. (CONFIDENTIAL NOFORN/ORCON)

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25X1A

December 4, 1975

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